



# CORPORATE TRANSPARENCY ACT: The Basics



## What is the CTA (Corporate Transparency Act)?

It's a law going into effect on January 1, 2024, which will require "reporting companies" to disclose ownership information to FinCEN (Financial Crimes and Enforcement Network).

### WHO NEEDS TO DISCLOSE THEIR OWNERSHIP?

"Reporting Companies" are all entities that are formed or registered to do business in the United States that is created under a state law. Not all companies are "Reporting Companies" as there are 23 listed exceptions.

### WHEN DO COMPANIES NEED TO DISCLOSE THEIR OWNERSHIP?

- Existing companies – within 1 year of Jan. 1, 2024
- Companies formed after Jan. 1, 2024 – within 90 days of formation
- Companies formed after Jan. 1, 2025 – within 30 days of formation
- New owners – within 30 days of change

### EXCEPTIONS TO THE DISCLOSURE REQUIREMENTS

Common exceptions, who don't need to file:

- Nonprofit entities, political organizations, some tax exempt trusts
- Public companies, insurance companies, banks, registered investment companies, and other companies already subject to oversight by regulatory bodies
- "Large Operating Companies" that (a) have more than 20 full-time US employees, (b) reported more than \$5 million of revenue from US sources in the prior year, and (c) have a physical presence at a physical location in the US
- Subsidiaries of an organization that is an exception

### WHAT NEEDS TO BE DISCLOSED?

Information about the Reporting Company and the "beneficial owners" (full legal name, date of birth, address, and a photocopy of a current government-issued ID); Information about the person submitting the application if they are not a beneficial owner.

### WHO ARE BENEFICIAL OWNERS?

A person who (directly or indirectly):

- Exercises substantial control over the entity; or
- Owns or controls 25% or more of the ownership interests.

### WILL THE FILINGS BE PUBLIC?

The information will not be publicly available, but can be disclosed to law enforcement and others under a court order and to financial institutions with your consent.

### WHAT SHOULD I DO NEXT?

Connect with your legal and financial teams to make sure you are ready to comply with the CTA. If you aren't working with a professional or have other questions, please contact my office for more information or to schedule a Legal Strategy Session.

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